



Military Health System

Current Issues and Direction in Financing



Briefing Outline

Health Affairs Organization

MHS Strategic Plan

Changing Environment

- Management
- New Contracts
- Hot Topics

FY 2003 Budget / FY 2004 Budget



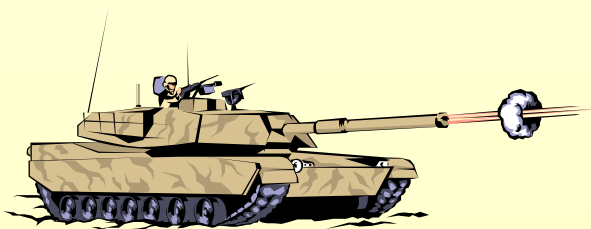
Secretary of Defense *Organizational Structure*

SECRETARY OF DEFENSE



Deputy Secretary of Defense

**Under Secretary of Defense
(Personnel and Readiness)**



**Assistant Secretary of Defense
(Health Affairs)**





ASD (Health Affairs) *Organizational Structure*



**William Winkenwerder, Jr.,
M.D., M.B.A.**
Assistant Secretary of Defense
(Health Affairs)

Director, TMA



Edward P. Wyatt, Jr.
Principal Deputy Assistant
Secretary of Defense
(Health Affairs)



David Tornberg, M.D.
Deputy Assistant
Secretary of Defense for
Clinical & Program Policy

Chief Medical
Officer



Ellen P. Embrey
Deputy Assistant
Secretary of Defense
for Force Health
Protection & Readiness

Director, Deployment
Health



Nelson M. Ford
Deputy Assistant
Secretary of Defense
for Health Budgets
& Financial Policy

Chief Financial
Officer

RADM Richard Mayo

RADM Thomas Carrato
Deputy Assistant
Secretary of Defense
for Health Plan
Administration

Chief Operating
Officer



Military Health System (MHS) Strategic Plan

MHS mission:

“To enhance DoD and our Nation’s security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care”

MHS Vision:

“A world-class health system that supports the military mission by fostering, protecting, sustaining and restoring health.”



MHS Strategy Architecture

Stakeholder Perspective: Our stakeholders are the American people, expressed through the will of the President, Congress, and the Department of Defense

External Customer Perspective:
Our customers are the Armed Forces and all those entrusted to our care

Financial Perspective: Accomplish our mission in a cost effective manner that is visible and fully accountable

Internal Perspective

Readiness Theme

Focus on activities to enhance readiness of military forces and the medical assets that support them

Quality Theme

Ensure benchmark standards for health and health care are met

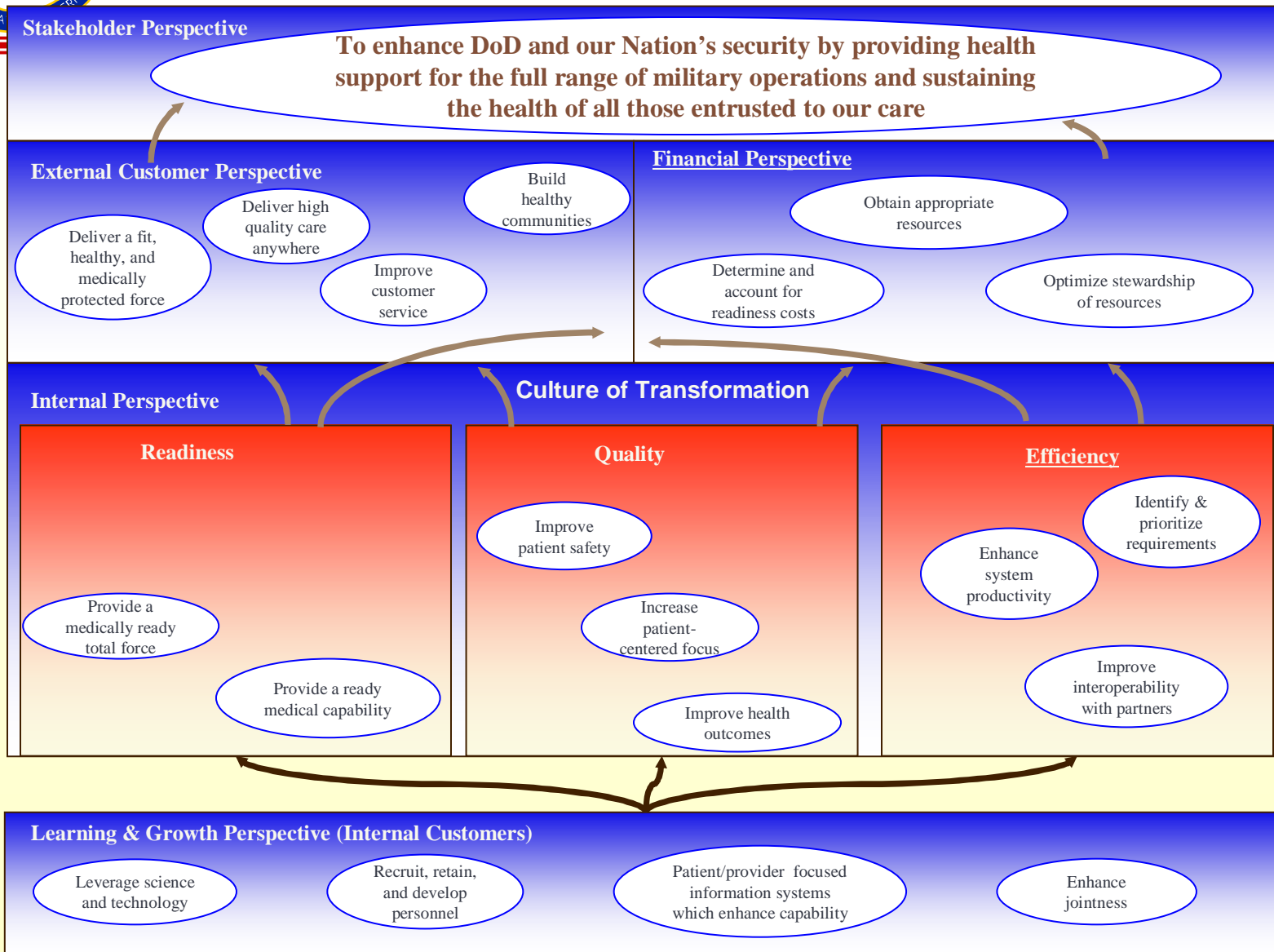
Efficiency Theme

Obtain maximum effectiveness from the resources we are given

Learning and Growth Perspective (Internal Customers): Our people and our support systems are critical to giving us the capabilities to execute on all we set out to achieve.









Strategy Map for Transforming the MHS







MHS GOALS


-  **Improve service to external customers:** Our customers are the Armed Forces and all those entrusted to our care.
-  **Enhance financial stewardship:** Accomplish our mission in a cost effective manner that is visible and fully accountable.
-  **Improve Readiness:** Focus on activities to enhance readiness of military forces and the medical assets that support them.
-  **Improve Quality:** Ensure benchmark standards for health and health care are met.
-  **Improve Efficiency:** Obtain maximum effectiveness from the resources we are given.
-  **Value our internal customers and leverage technology:** Our people and our support systems are critical to giving us the capabilities to execute on all we set out to achieve.



Objectives for Financial Stewardship

-  **Determine and account for readiness costs**
 - Top-down and bottom-up approach

-  **Optimize stewardship of resources**
 - Visibility and accountability of all MHS resources

-  **Obtain appropriate resources**
 - DHP growth aligned with civilian sector
 - Real property life cycle replacement



Objectives for Improving Efficiency

 **Interoperability with Partners - VA/DoD
Joint Purchasing**

 **Identify and Prioritize Requirements –
study still ongoing**

 **Enhance System Productivity**

- Workload (RVUs)/Provider/Day > 18.5
- Hospital Occupancy >80%
- Days per 1000 beneficiaries <195
- MTF Prime Leakage <30%



Changing Environment - Management

Monitoring of Operations

- Government Performance & Results Act
- Secretary of Defense Metrics
- Performance Contracts
- Military Health System Executive Review
- OMB – Program Assessment Review Tool



Management Measures

Balanced Scorecard Metrics										
Perspective	Theme	Objective	Measure	Perf. Contract	Instrument Panel	MHSER	SECDEF	Freq	Lowest Level	
External Customer		Fit Force	C-1							
		High Quality Care	C-2					Q	Svc,Reg	
		Customer Service	C-3	X	X		X	Q	Svc,Reg	
		Healthy Communities	C-4	X	X			Q	MHS	
Financial		Determine and Account for Readiness	F-1					A	MHS	
		Obtain Appropriate Resources	F-2					A	MHS	
								A	MHS	
		Optimize Stewardship	F-3					A	MHS	
Internal	Readiness									
		Medical Ready Total Force	R-1					?	Svc	
			R-1					?		
		Medical Capability	R-2					Q	Svc	
	Quality		R-2					A	MHS	
		Patient Safety	Q-1					Q	MHS	
		Patient Centered	Q-2	X	X	X	X	Q	Svc,Reg	
			Q-2	X	X	X	X	Q	Svc,Reg	
	Efficiency	Health Outcomes	Q-3	X				Q	MTF	
		Interoperability with partners	E-1					?	MHS	
			E-1					A	MHS	
			E-2	X	X	X	X	M	MTF	
			E-2					M	MTF	
			E-2					M	MTF	
			E-2	X	X	X		Q	MTF	
			E-2	X	X	X	X	M	MTF	
			E-2	X	X			M	MTF	
		Identify and prioritize requirements	E-2	X	X		X	M	MTF	
			E-3					A	MHS	
	Learning & Growth	Leverage Science and Technology	L&G-1					A	MHS	
			L&G-2					A	MHS	
		Recruit, retain, develop	L&G-2					A	Svc	
		Patient/Provider based systems	L&G-3					M	MTF	
			L&G-3					M	MTF	
		Jointness	L&G-4					A	MHS	
Instrument Panel Metrics not on the Balanced Scorecard										
Perspective	Theme	Objective	Measure	Perf. Contract	Instrument Panel	MHSER	SECDEF	Freq	Lowest Level	
External Customer			Enrollees	X	X	X		M	MTF	
		Customer Service	Claims Processing	X	X	X		M	Reg	
			Telephone Inquires		X					
Internal			Total RVUs	X	X	X		M	MTF	
			Total RWPs	X	X	X		M	MTF	
			Cost per RWP		X					
		System productivity	Primary Care RVUs/Enrollee		X					
			Panel Size		X					
			Inpatient Marketshare	X	X	X		M	MTF	
			Catchment Area Purchased Care Costs	X	X	X		M	MTF	



Changing Environment – New Contracts

Next Generation of Managed Care Support Contracts

- Number of Regions – New regional managers/Market Managers
- Number of contracts
- Streamlined Contracts
- Stable Military Footprint

Local Service contracts – e.g. utilization management, appointment and scheduling

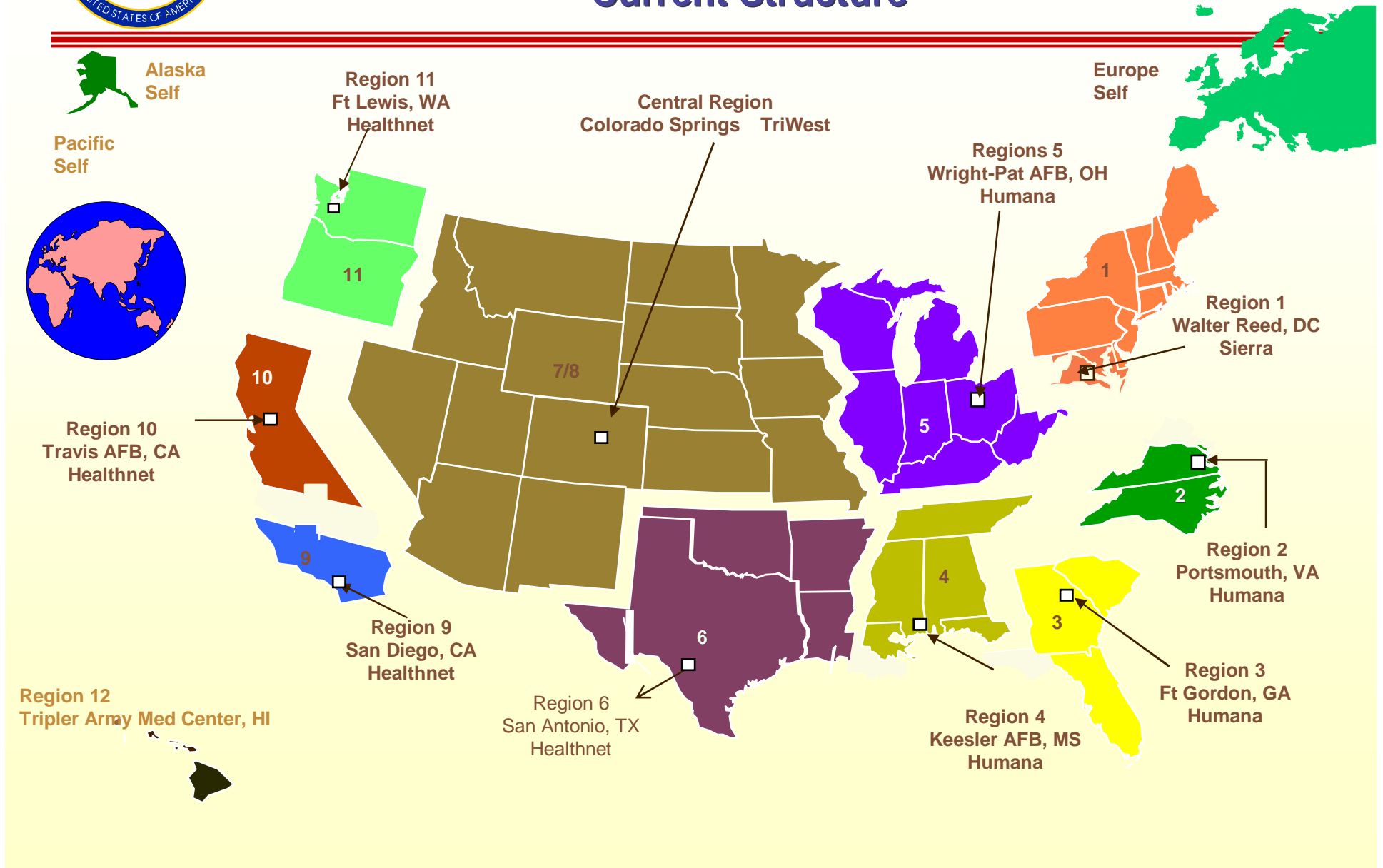
- Still being discussed

Consolidated Central Contracts – e.g. marketing, pharmacy



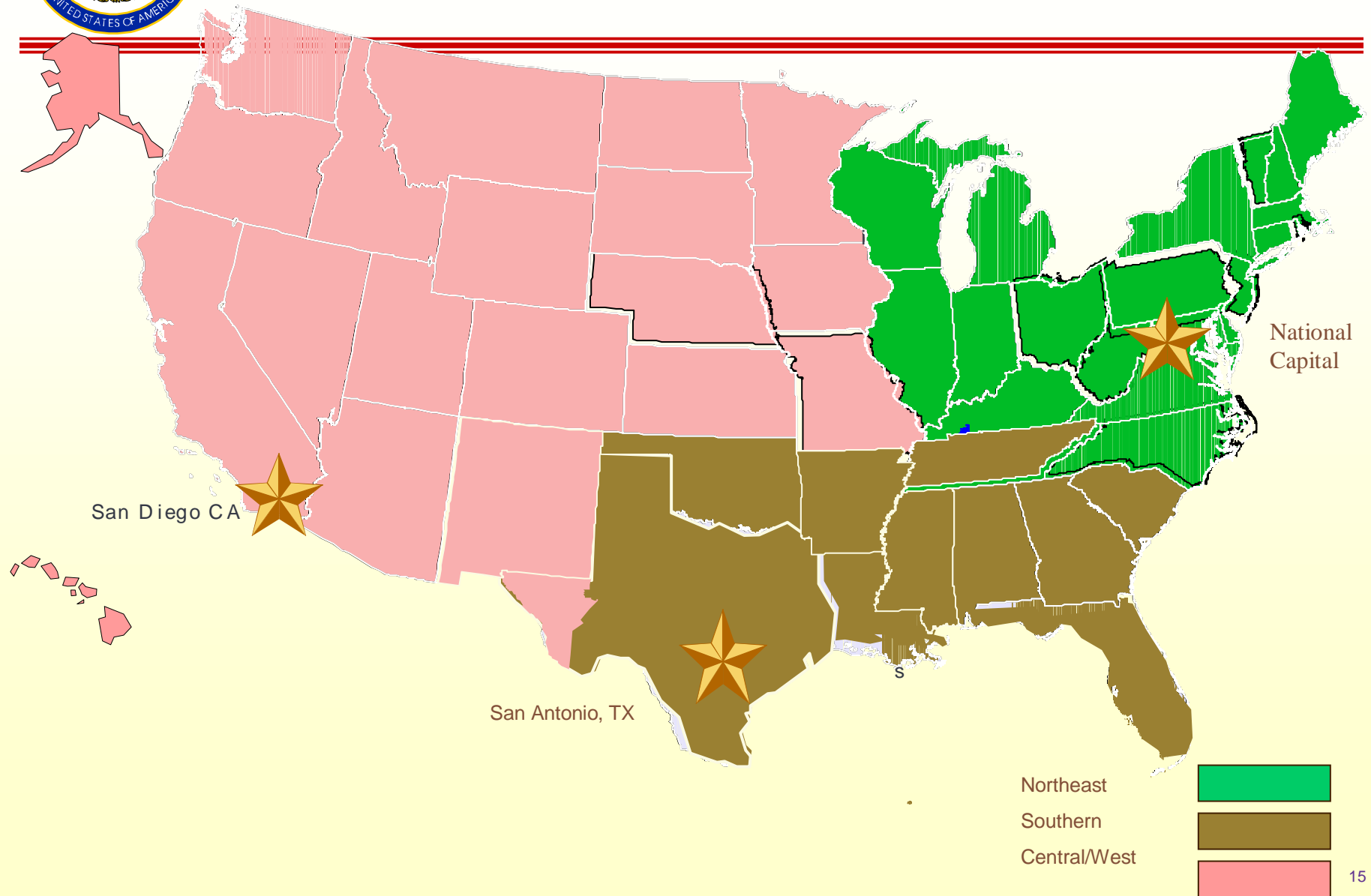
TRICARE

- Current Structure -



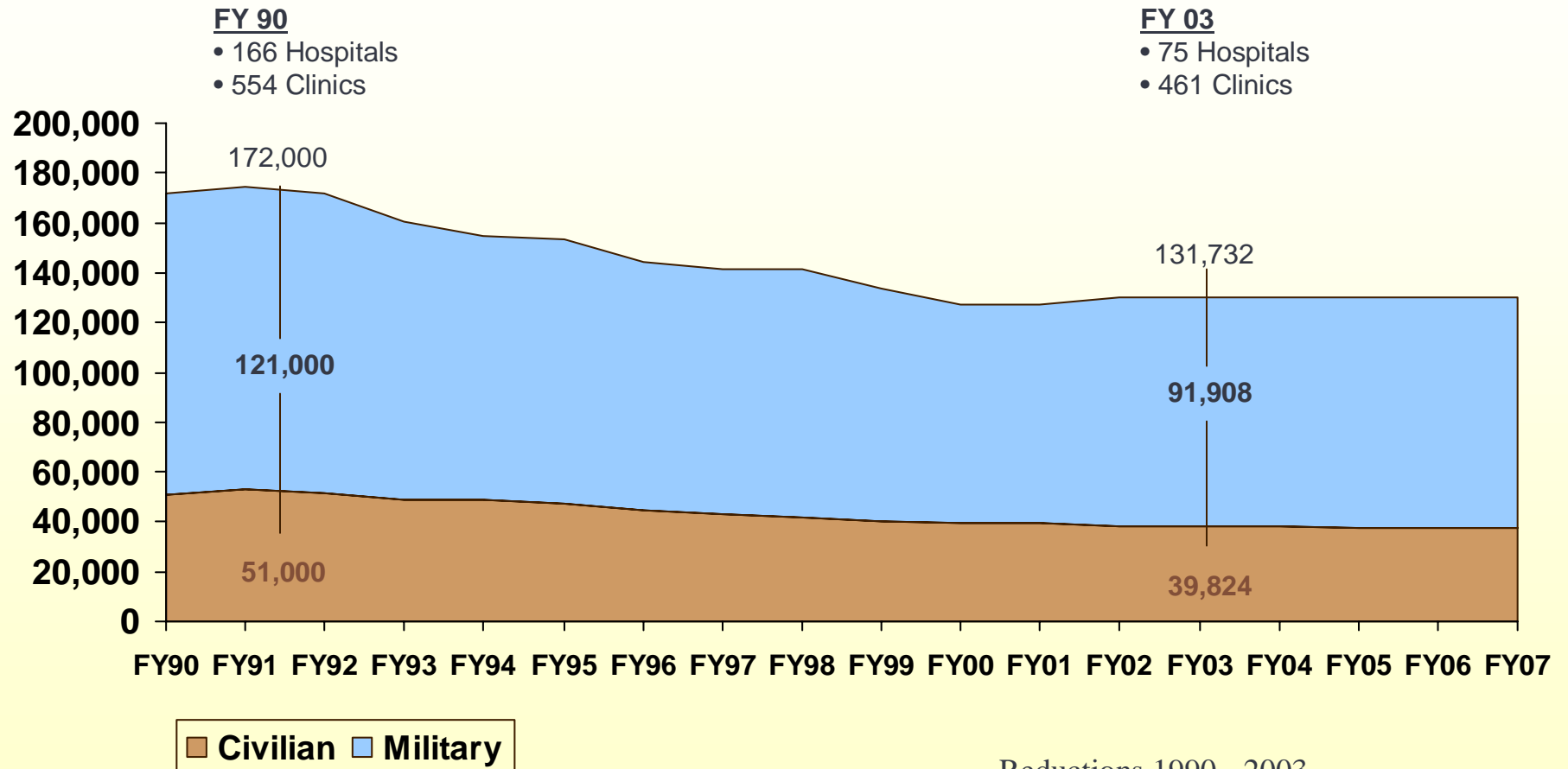


New Regional Contract Structure





Medical Endstrength / Facilities



Reductions 1990 - 2003

- Military Personnel (-24%)
- Hospitals (-55%)
- Clinics (-17%)



Changing Environment – Hot Topics

- ☞ **Cost of Readiness**
- ☞ **Value of Health Care – Prospective Payment (MID 910/911)**
- ☞ **Cost of Private Sector Care**
- ☞ **Business Plans for Each Medical Treatment Facility**
- ☞ **Global War on Terrorism Costs**
 - Health Care for activated Guard/Reserve
 - Pre Deployment Costs
 - Backfill Costs
 - Force Protection

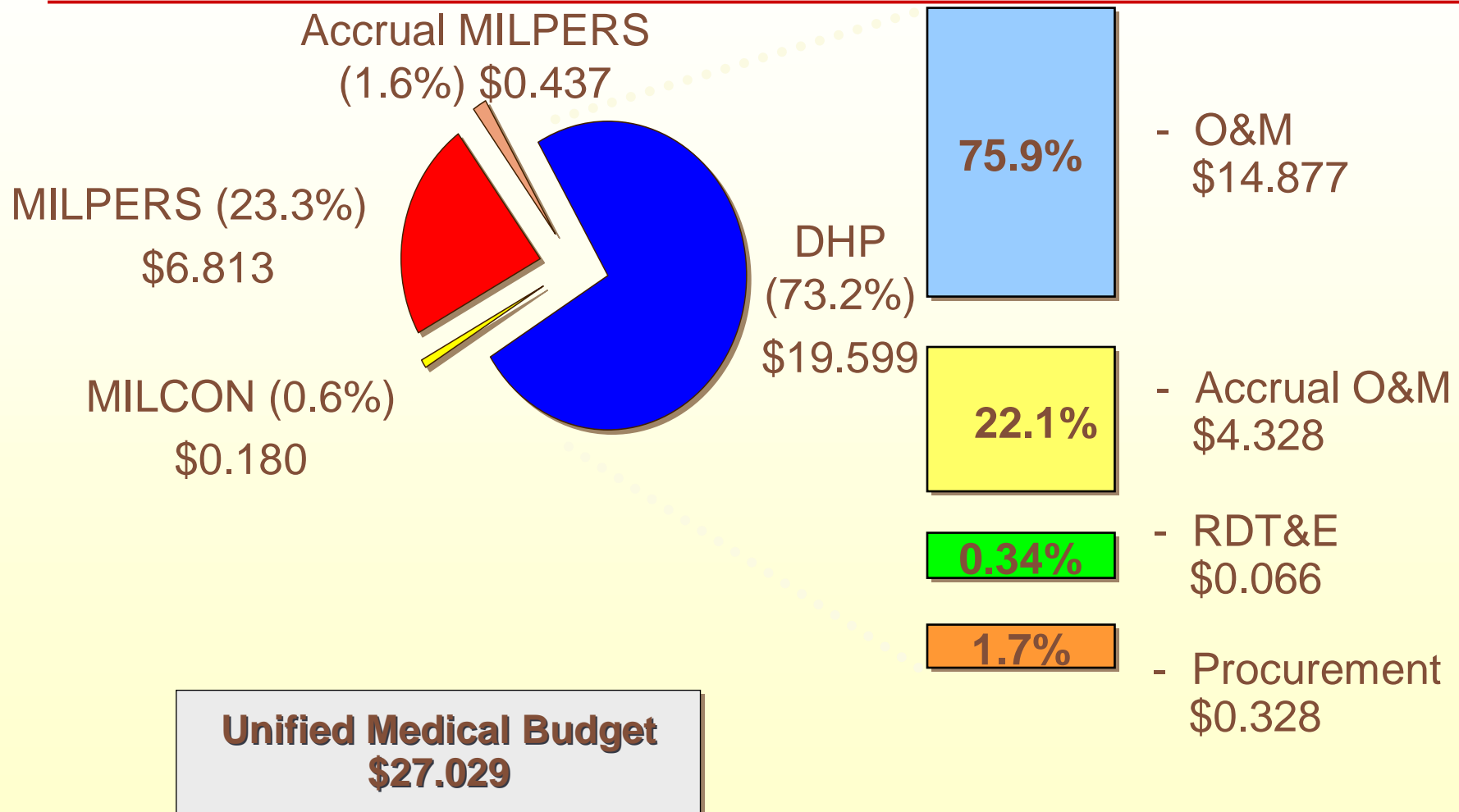


FY 2004 Budget Issues

- Initially thought 2004 would be “tight but executable”
- New users and increased volumes driving up Private Sector Costs
- Bottom Line – FY 2004 is current short by an estimated \$1 billion
- It is likely that some – but not all – of this may be funded during the course of the year
- Additional problem of complete restriction on Private Sector Care Funds



FY 2004 President's Budget Request








Unified Medical Program

(\$ in Millions)

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
Operation & Maintenance	\$16,739	\$14,053	\$14,877	\$15,923	\$17,280	\$18,746	\$20,018	\$21,359
Procurement	\$330	\$283	\$328	\$387	\$473	\$458	\$452	\$435
RDT&E	\$554	\$457	\$66	\$72	\$64	\$64	\$64	\$65
Military Personnel	\$5,861	\$6,172	\$6,813	\$7,076	\$7,369	\$7,588	\$7,829	\$8,034
MILCON	<u>\$224</u>	<u>\$168</u>	<u>\$180</u>	<u>\$227</u>	<u>\$230</u>	<u>\$233</u>	<u>\$238</u>	<u>\$247</u>
Total	\$23,708	\$21,133	\$22,264	\$23,685	\$25,416	\$27,089	\$28,601	\$30,140
Proj Medicare Eligible Accrual Outlays*		<u>\$4,445</u>	<u>\$4,765</u>	<u>\$5,006</u>	<u>\$5,324</u>	<u>\$5,661</u>	<u>\$6,016</u>	<u>\$6,400</u>
Total - Including Accrual Outlays	\$23,708	\$25,578	\$27,029	\$28,691	\$30,740	\$32,750	\$34,617	\$36,540
*Office of Management and Budget Estimate in FY 2004 President's Budget								



FY 2005-2009 Budget Issues

-  **Prospective Payment of MTF Health Care**
-  **Struggle to do point estimates on an entitlement**
-  **Accrual Fund Receipts for Medicare. Need to constantly update amounts for Medical Treatment Facility Care**



QUESTIONS?
